

**NORTHWEST CONSOLIDATED FIRE DISTRICT  
JOHNSON COUNTY, KANSAS**

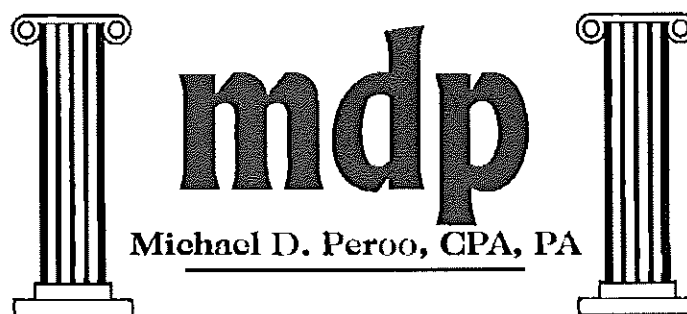
**Financial Statements for the  
Year Ended December 31, 2010  
And Independent Auditors' Report**

**NORTHWEST CONSOLIDATED FIRE DISTRICT  
JOHNSON COUNTY, KANSAS**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors and Members  
Northwest Consolidated Fire District  
Johnson County, Kansas

We have audited the accompanying balance sheets of Northwest Consolidated Fire District, Johnson County, Kansas as of December 31, 2010, and the related statements of revenues and expenses, fund balance and cash flows for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except for the following, we conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide (KMAG). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The District has elected not to adopt the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In our opinion, except for the above, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Consolidated Fire District, Johnson County, Kansas as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

The supplemental schedules for the year ended December 31, 2010, listed in the foregoing table of contents are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Michael D. Peroo, CPA, PA*  
Michael D. Peroo, CPA  
In Charge of and Actively Engaged  
on this Audit

December 31, 2011

**NORTHWEST CONSOLIDATED FIRE DISTRICT  
JOHNSON COUNTY, KANSAS**

**BALANCE SHEET  
DECEMBER 31, 2010**

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**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 146,621
Prepaid insurance	<u>14,021</u>
Total current assets	<u>160,642</u>
PROPERTY & RIGHTS HELD UNDER DEFERRED COMPENSATION PLAN	147,757
PROPERTY, PLANT AND EQUIPMENT, NET	800,647
BOND COSTS, NET	<u>2,300</u>
	<u>\$ 1,111,347</u>

**LIABILITIES AND FUND BALANCE**

**CURRENT LIABILITIES:**

Current maturities on long-term debt	\$ 85,000
Accounts payable	11,857
Other accrued liabilities	<u>17,796</u>
Total current liabilities	<u>114,652</u>
OBLIGATIONS TO EMPLOYEES UNDER DEFERRED COMPENSATION PLAN	147,757
LONG-TERM DEBT	275,000
FUND BALANCE	<u>573,937</u>
	<u>\$ 1,111,347</u>

**NORTHWEST CONSOLIDATED FIRE DISTRICT  
JOHNSON COUNTY, KANSAS**

**STATEMENT OF REVENUES AND EXPENSES  
YEAR ENDING DECEMBER 31, 2010**

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REVENUES:

Intergovernmental	\$ 1,118,706
Fees	<u>92,172</u>
	1,210,878

COSTS AND OPERATING EXPENSES:

Depreciation and amortization	86,037
Personnel costs	880,974
Repairs and maintenance	43,112
Insurance	18,084
Utilities	40,985
Administrative and professional	32,536
Equipment and clothing	18,224
Transition Expense	28,806
Miscellaneous	<u>360</u>
	<u>1,149,117</u>

INCOME FROM OPERATIONS 61,761

NON-OPERATING REVENUES (EXPENSES):

Interest income	1,193
Interest expense	<u>(13,071)</u>
	<u>(11,878)</u>

NET INCOME 49,883

FUND BALANCE, beginning of year 524,054

FUND BALANCE, end of year \$ 573,937

**NORTHWEST CONSOLIDATED FIRE DISTRICT  
JOHNSON COUNTY, KANSAS**

**STATEMENT OF CASH FLOWS  
YEAR ENDING DECEMBER 31, 2010**

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OPERATING ACTIVITIES:

Operating income	\$ 61,761
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	86,037
Book Value of Assets from the City of DeSoto and Prior Period Adjustments	(12,531)
Changes in:	
Prepaid insurance	(8,007)
Accounts payable and accrued liabilities	<u>8,582</u>
Net cash used by operating activities	<u>135,842</u>

CAPITAL AND RELATED FINANCING ACTIVITIES:

Payment on long-term debt	(80,000)
Purchase of property, plant and equipment	(79,451)
Interest paid	<u>(13,785)</u>
Net cash used by capital and related financing activities	<u>(173,236)</u>

INVESTING ACTIVITIES:

Interest received	<u>1,193</u>
Net cash provided by investing activities	<u>1,193</u>

NET CHANGE IN CASH AND EQUIVALENTS (36,202)

CASH AND EQUIVALENTS, BEGINNING OF YEAR 183,301

CASH AND EQUIVALENTS, END OF YEAR \$ 147,100

**NORTHWEST CONSOLIDATED FIRE DISTRICT  
JOHNSON COUNTY, KANSAS**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Organization - The Northwest Consolidated Fire District (District) was established as a tax-exempt organization to provide fire protection and education to those residents and businesses located within the district. Effective January 1, 2010 the District, comprised of Johnson County Rural Fire District No. 3 and the City of DeSoto, merged their operations. Upon the merger, Johnson County Rural Fire District No. 3 and City of DeSoto transferred all real and personal property and terminated agreements for the employee benefit plans, including healthcare plans, deferred or defined benefits.
- b. Budgetary Information - Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:
  1. Preparation of the budget for the succeeding calendar year, on or before August 1.
  2. Publication in local newspaper of the proposed budget and notice of public hearing on the Budget, on or before August 5.
  3. Public hearing, on or before August 15 but at least ten days after publication of notice of hearing.
  4. Adoption of the final budget, on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2010.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds.

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

- c. Cash equivalents - For purposes of the statements of cash flows, the District considers all highly liquid debt investments having original maturities of three months or less to be cash equivalents.
- d. Property, Plant and Equipment - Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.
- e. Income taxes - The District is considered a tax-exempt entity and is not subject to income taxes at either the federal or state level.
- f. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.
- g. Loan Costs - Costs related to the issuance of the municipal temporary note have been capitalized and are being amortized on a straight-line basis over the term of the note.

## 2. PROPERTY, PLANT AND EQUIPMENT

Land	\$ 28,508
Building	886,059
Trucks and autos	1,267,741
Equipment	323,977
Office furniture and equipment	<u>26,865</u>
	\$2,533,150
Less accumulated depreciation	<u>1,732,503</u>
	<u>\$ 800,647</u>
Depreciation expense	<u>\$ 85,329</u>

## 3. CASH AND INVESTMENTS

At December 31, 2010, the District's deposits were covered by federal depository insurance or by collateral held by the District's agent in the District's name. Cash and investments at December 31, 2010 are as follows:



Cash and cash equivalents:

First National Bank of Olathe - checking	\$ 45,800
First National Bank of Olathe - money market	<u>100,822</u>
	<u>\$ 146,622</u>

The cash and cash equivalents are considered low risk and cost approximates market value.

#### 4. DEFERRED COMPENSATION PLAN

Employees of the District may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution until paid or made available to the employees or beneficiaries, are the property of the District subject only to the claims of the District's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the District, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The District believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

As part of its fiduciary role, the District has an obligation of due care in selecting the third-party administrator.

#### 5. CONTRACTS

The District entered into contracts with Sunflower Redevelopment, LLC to provide fire and emergency services for the Sunflower Army Ammunition Plant. Sunflower Redevelopment, LLC will pay \$137,500 for fifteen months or \$9,167 per month. The contract was effective October 1, 2001 and expired December 31, 2002. A new contract was accepted for 2003 and for 2004 at the same amount per month and expired December 31, 2004. During 2005 the District continued with Sunflower Redevelopment LLC on a month-to-month basis at the rate of \$7,500 per month through November. Effective May 1, 2006, the District entered into a new two year contract to provide fire and emergency services for \$60,000 for each 12 month term in the contract. The contract expired April 30, 2008. A new contract was accepted for May 1, 2008 through December 31, 2008 and for 2009. The payment for 2010 is \$90,000 and for 2009 the amount of payment is \$72,333.

## 6. COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representatives of the district. There were no apparent statutory violations during the years ended December 31, 2010.

## 7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, and injuries to employees. The district manages these various risks of loss through insurance policies through Continental Western Insurance Company.

## 8. OTHER ACCRUED LIABILITIES

Accrued Wages	\$	13,437
Accrued Interest		3,881
457 Plan Payable		478
	\$	<u>17,796</u>

## 9. LONG-TERM DEBT

In March 2004, the District issued Fire Fighting Equipment Bonds, Series 2004, in the amount of \$800,000 (\$360,000 outstanding at December 31, 2010) bearing interest at rates ranging from 2.75% to 3.40% with principal and interest due serially through September 1, 2014. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from ad valorem taxes which may be levied without limitations as to rate or amount upon all taxable tangible property, real and personal, within the territorial limits of the District. The proceeds were used to retire the Municipal Temporary Note, Series 2003-1, due on April 1, 2004.

Interest capitalized on outstanding bonds totaled \$17,275 in 2004.

### Rollforward of long term debt for 2010:

	Beginning Balance	Advances	Payments	Ending Balance	Current Portion
Series 2004	\$ <u>440,000</u>	\$ <u>          </u>	\$ <u>80,000</u>	\$ <u>360,000</u>	\$ <u>85,000</u>

Maturities of the bonds payable subsequent December 31, 2010 are as follows:

	Principal	Interest	Total
2011 \$	85,000 \$	11,585 \$	96,585
2012	90,000	9,035	99,035
2013	90,000	6,200	96,200
2014	<u>95,000</u>	<u>3,230</u>	<u>98,230</u>
	360,000 \$	<u><u>30,050</u></u> \$	<u><u>390,050</u></u>
Less current portion	<u>85,000</u>		
\$	<u><u>275,000</u></u>		

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**RURAL FIRE DISTRICT NO. 3  
JOHNSON COUNTY, KANSAS**

**SCHEDULE OF PERSONNEL COSTS  
YEAR ENDED DECEMBER 31, 2010**

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Firefighter salaries	\$ 648,285
Volunteer Pay	14,802
Overtime	23,275
Insurnace	103,682
Payroll taxes	24,195
Retirement	<u>66,735</u>
	\$ <u><u>880,974</u></u>

**RURAL FIRE DISTRICT NO. 3**  
**JOHNSON COUNTY, KANSAS**

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS ACTUAL - BUDGET**  
**YEAR ENDED DECEMBER 31, 2010**

	2010	Budget	Favorable (Unfavorable)
Receipts:			
Intergovernmental	\$ 1,118,706	\$ 1,046,783	\$ 71,923
Fees	92,172	90,000	2,172
Interest	<u>1,193</u>	<u>2,000</u>	<u>(807)</u>
Total cash receipts	1,212,071	1,138,783	\$ <u>73,288</u>
Disbursements:			
Personnel costs	880,974	924,398	\$ 43,424
Repairs and capital outlays	135,095	90,000	(45,095)
Commodities and contractual	138,899	221,570	82,671
Debt payments	<u>93,785</u>	<u>103,785</u>	<u>10,000</u>
Total cash disbursements	<u>1,248,751</u>	<u>1,339,753</u>	\$ <u>91,002</u>
Receipts under disbursements	\$ <u>(36,680)</u>	\$ <u>(200,970)</u>	